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ABSTRACT

The type of influence exercised on decision-making by a position in an organization may vary from decision to decision. The position may simply be free to make recommendations or need to be informed of decisions to implement them. On the other hand, the position may influence the decision, be able to veto it, or authorize and issue a directive to carry it out. These types of influence can be coded and recorded on a decision-making chart. These charts cannot be imposed successfully on an organization by command. They should be developed by the people who work together. The manager should work with his immediate subordinates to decide the area of decision-making to be charted; determine the key decisions to be made; identify the organizational positions participating in each decision making process; decide in which of five identified ways (recommending, approving, authorizing, being informed, or being consulted) each position participates; and record agreements on the chart. The discussion necessary to construct the chart points up and helps to resolve problems. Charting the resulting agreement shows people how they participate in the decision-making structure of the organization. (Author/PGD)

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Charting the Decision Making Structure of an Organization

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PREFACE

Since the Northwest Regional Educational Laboratory began operation in 1966, major efforts have been devoted to the development of instructional systems which provide increased capabilities for teachers and administrators. One area which has received attention is the effective use of interpersonal skills—particularly the development of instructional programs in interpersonal communications and interpersonal decision making. The method of charting the decision making structure of an organization described in this Program Report resulted from the work of Dr. John Wallen, who made major contributions to the conceptualization of these instructional systems and creation of basic materials for interpersonal training.

ABSTRACT

In describing organizational structure, most people think of "the organization chart." However, the structure of an organization also can be described in relation to decision making.

A position in an organization may exercise various types of influence on decision making. It may simply be free to make recommendations or need to be informed of decisions to implement them. On the other hand, the position may influence the decision, be able to veto it, or authorize and issue a directive to carry it out.

These types of influences can be coded and recorded on a decision making chart.

A decision making chart cannot be imposed successfully on an organization by command. It should be developed by the people who work together. In doing this a manager works with his immediate subordinates to:

1. Decide the area of decision making to be charted
2. Determine the key decisions
3. Title the columns in the chart
4. Decide how each position participates in each decision
5. Record agreements on the chart

The discussion necessary to construct the chart points up and helps to resolve problems. Charting resulting agreement shows people how they participate in the decision making structure of the organization.

CHARTING THE DECISION MAKING STRUCTURE OF AN ORGANIZATION

One way of describing the structure of an organization is to chart a line of delegation. Theoretically, each manager is responsible for more work than he can personally do. Therefore, he delegates parts of his responsibilities to others, who are then said to report to him. If this network is considered from the center (chief administrative officer) to the periphery of the organization, then this outer direction would be called the Line of Delegation. In the reverse, considering the organization from the subordinate inward to the person who delegates responsibilites, the same network is called Line of Accountability.

The Line of Delegation/Accountability is commonly referred to as the Chain of Command. In some organizations it is known as the In-Line Structure.

Nearly all social scientists who have studied organizations recognize the In-Line Structure is a normative fiction. It does not describe what exists, but what managers think ought to exist. Any management text demonstrates this by discussing the "formal organization" as different from the "informal organization." Observations snow that most people in an organization have work delegated to them from many different sources and not just from one. Similarly, while official accountability is a feeling of obligation for the accomplishment of work delegated by one's manager, most people also feel accountable to others in the organization for whom they provide service.

The seemingly straightforward concept of the Line of Delegation or the Chain of Command turns out, in fact, to be a tremendously

oversimplified picture of organizational structure. This oversimplification, however, does relatively little damage until the Line of Delegation is confused with the communication pattern in the organization. At this point the tendency develops to restrict interaction and communication to the Line of Delegation. "Going through channels" or "staying in the line" begins to become excessively emphasized. Rather than focusing upon who needs to be involved in solving a problem, the emphasis is on whether it is proper or improper to communicate with the person. Peter Drucker points out that going through channels is not just a symptom of organizational difficulty, it is the basic cause of it. It results in isolation.

Thus, the attempt to use the Line of Delegation as a communication pattern gives rise to a situation where several people have part of the information needed to solve a problem, but no person has or is able to get a total overview. Furthermore, the isolation of the various persons from each other results in much misinformation, further complicating the decision making process. Decisions are not made with full knowledge of all the facts and with all the assumptions spelled out.

Further complicating the problem are the personal feelings which people have about their fellow workers. One of the favorite ways people explain the actions of others is in terms of the other person's motivation. As people become more isolated from each other and have access to less and less information in common, the tendency increases to interpret actions as evidences of plots and counterplots, political maneuvers, etc. If the result of a lack of coordination is believed deliberately intended, then, obviously, somebody is suspected of having harmful or destructive intentions. An emphasis on "going through channels," thus, results in an

increase of distrust and suspicion which further increases the isolation and problems of coordination.

Although the Line of Delegation/Accountability is only one kind of description of organizational structure, most people refer to a printed statement of it as "the organizational chart" or "the organizational structure." In fact, however, organizational structure may be described in many different ways. For example, organizational structure can be described in relation to the amount of influence and kind of participation each organizational position has in relation to various decisions. This may be called the Decision Making Structure of the organization.

The chart on page 5 shows the kinds of influence any position may exercise on decision making.

A decision structure chart cannot be imposed successfully on an organization by command. It should be developed by the people who will have to work together. Thus, the chart represents a statement of agreement among the various positions.

Note that whereas any position may make recommendations, the "Z" position is expected to. If needed changes are not proposed, coordinated and authorized by "Z," he has failed to fulfill his responsibilities. Obviously, it is to "Z's" benefit to develop working relations that welcome, encourage and increase the probability that others will propose changes for improvements.

Approval from "A" means that a decision may be carried out. Authorization from "Z" means that the decision must be carried out.

In the decision structure chart the positions (decision makers) are listed at the heads of the columns. At left are listed various decisions to be made. In a cell formed by the intersection of a position (vertical column) and a decision (horizontal row), a code

symbol shows how that position participates in that decision (see samples on the following pages).

People who must coordinate their activities should work out their own decision making chart. The session should result in each being clear about his own role in relation to the others. In addition, each should have a clearer understanding of the network of interrelations in the decision making process.

A chart may be made showing the decision making structure of a work unit, such as a department, or it may show the structure of a number of interrelated work units.

In the usual case, a manager will work out a decision making chart with his immediate subordinates.

The chart can be constructed in five steps.

1. Decide the area of decision making to be charted. Possible areas include:

Personnel and personnel practices

Purchasing and capital equipment expenditure

Planning, scheduling and forecasting

Product standards and specifications

Training and communications

Credit policies and billing

New products and research emphases

2. Determine the key decisions. Usually, decisions that are causing trouble are considered first because they are unclear. A form of functional flow analysis may be used to locate the decision point.

What is a decision point? All work follows some guidelines (criteria or principles), whether or not these are explicitly stated. Some set of priorities determines which order will be filled first

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KINDS OF INFLUENCE A POSITION MAY EXERCISE ON DECISION MAKING

Code

Blank May Recommend or Suggest

In a healthy organization any person should be encouraged to make recommendations to the person who can authorize action. Because this is assumed for all positions, the cell in the chart is left blank.

I = Must Be Informed

"I" means the position needs to know the result of a decision to take appropriate coordinating action. The "I" usually shows that a position will be affected by a decision or need to implement it.

C = Must Be Consulted

A "C" position must be given opportunity to influence the process of arriving at a decision by presenting information, demonstration or proof. The position is limited to persuasion in influencing the decision. The "C" position should be consulted early enough in the process that his information can genuinely make a difference in the final decision.

A = Approval Must Be Secured

An "A" position must be consulted and, in addition, may veto a proposed decision. Obviously, early participation of "A" is desirable because consultation earlier may reduce the possibility of a veto in the final stages. If an "A" position approves a proposal, this is a recommendation for the course of action. That is, the action may be taken but it does not have to be. If an "A" position disapproves, the proposal cannot be put into effect and must be altered to gain approval.

Z = May Authorize

To authorize is to issue a directive that triggers action. "Z" positions are held accountable for:

1. *Seeing that proposals are initiated*
2. *Coordinating, i.e., insuring that "A" and "C" positions participate*
3. *Issuing directives to carry out the decision*
4. *Insuring that "I" positions are informed of the decisions*

Sample 1

Decision Structure Chart

Decisions	Standards Dept.	Production Dept.	Data Systems Dept.
1. Decide on production methods in pilot phase	Z	A	I
2. Change production methods for production phase	C	Z	I
3. Change labor standards	I	Z	I

If one department may authorize and the other may veto, a negotiating relationship is established in which both parties must be satisfied. An "A-Z" relation occurs between the Standards Department and the Production Department on decision 1. This shows that the organization wanted to be sure that considerations of efficiency, value analysis, etc., were represented by the Standards Department, but that realistic production techniques and capabilities were represented by the Production Department. The best decision, then, would be one that the two departments agreed on.

Note that on decision 1, the Production Department is in a staff relation to the Standards Department because only the latter can authorize the methods of production. However, on decision 2 the relation is reversed and the Standards Department is providing consultative services to the Production Department.

Sample 2

Decision Structure Chart

Decisions	General Manager	Standards Dept.	Production Dept. A	Production Dept. B
4. Purchase capital equipment up to $5,000	I	Z (self) C (others)	Z	Z
5. Purchase capital equipment over $5,000	Z	A (self) C (others)	A	A
5a. Decide what kind and how urgent the need		Z (self) C (others)	Z	Z
5b. Decide whether to buy	Z	I	I	I

This chart shows some interrelations under the responsibility of the General Manager. Thus, the chart shows the relations between the General Manager's Office and those delegated parts of his responsibility. Decision 4 illustrates that each department may authorize its own purchases up to $5,000, but departments A and B must consult with the Standards Department.

The purchase of capital equipment costing more than $5,000 can only be authorized by the General Manager (Decision 5). However, the "A" under the various departments shows the General Manager will not purchase equipment they do not want or agree to. The codes opposite Decision 5 are really a shortened form for the two decisions shown opposite 5a and 5b. The departments have final authorization for determining the kind of equipment and urgency of the need. However, the General Manager has the final authorization for purchasing. This recognizes that the needs of the departments may be only one factor the General Manager must take into account when deciding whether to buy equipment.

Can a subordinate have the power to authorize (Z) when his manager has the right to veto (A)? Such a relation suggests that the manager is unwilling to delegate fully. When a manager retains veto power, the subordinate will usually feel he should not be held accountable for the results achieved. If he is held accountable,

he will probably feel resentment and frustration because he is being judged by results that follow from his manager's actions. If a subordinate is not yet ready for full delegation, it would be better for his manager to retain the "Z" and allow the subordinate to have a "C" or an "A" (as in Decision 5).

Rather than retaining the right to veto decisions of a subordinate, a manager usually will develop a better relationship if he spends time determining proper operating limits for the subordinate's right to authorize.

In this way, the subordinate can see the effects of decisions that he more clearly views as his decisions. He gets his chance to make mistakes and to learn from them. As he shows that he can handle more responsibility, the operating limits can be widened.

Sample 3

Decision Structure Chart

Decisions	Production Department	Employment Department
6. Decide on qualifications required for jobs in his department	Z	C
7. Decide methods of determining an applicant's qualifications	I	Z
8. Hire personnel for specific jobs	Z	A

This section of a chart shows the relation between a supporting service (Employment) and a Production Department. The codes indicate the Production Department authorizes the qualifications expected of applicants. In setting these qualifications they consult with the Employment Department.

Next, the Employment Department decides how to determine the qualifications an applicant possesses. They decide what shall be covered in interviews, what kinds of tests shall be used, what kinds of reference checks shall be made, etc. The Employment Department informs the Production Department of their procedures so that the Production Managers know how to interpret information from Employment.

The final hiring is authorized by the Production Manager. The "A" under Employment Department indicates unsuitable candidates have already been screened out before applicants were sent to the Production Department.

or which piece of equipment will be purchased. Some unstated or stated criteria determine whether additional personnel are hired, whether overtime is worked, or whether a person is granted vacation time in advance. A decision point concerns the method of arriving at such criteria or guides.

Here is an example: "Commits finished instruments to orders." If asked, "Who does this?" one might be told, "Clerk A does." But this is the implementation of a decision, not the point at which the decision was made. How does Clerk A know which orders to fill and which to delay? He has certain guides; for example, military orders should be handled one way and civilian, another. Who sets up the guides he uses to make the commitments? The answer to this question is the decision point. So the heading for this decision might read: "Establishes criteria for committing finished instruments to orders."

The decisions the group wishes to structure should be listed down the left hand column. Each one titles the row to its right.

Here, for example, are some decision points identified in mapping the relation of instrument design, marketing, production, quality assurance, materials management and data systems in the task of maintaining quality.

Decides performance goals for new instruments

Sets performance specifications for prototype instruments

Sets specifications for parts purchased from outside vendors

Sets specifications for parts produced in plant

Decides whether various specifications are consistent

Decides on conformance of purchased parts to performance and design specifications

Decides on adequacy of evaluation methods being used by in-plant production

Decides on changes to be made in evaluation methods

3. Title the columns with the names of the positions—departments or other operating units—in the decision making structure.

4. Decide how each position participates in each decision. Obviously, this requires much discussion to make sure each participant has expressed his concern and has understood others.

5. Record agreements reached in discussion on the chart. Obviously, all decision points will not be discovered in one discussion. The chart, hence, needs to grow as the group discovers decisions overlooked. Over a period of months, a group will evolve an increasingly more complete summary of their decision making structure. As conditions change and the decision making process shifts, the chart should be changed to reflect it.

The charting of a decision making process may raise several questions.

How does the decision making structure relate to a delegation chart?

A "Z" position—one that can authorize action—is the position held accountable.

When two departments who have an "A-Z," or negotiating, relation cannot agree on a decision and a stalemate results, the arbiter is the person on the delegation chart to whom the disputing departments report. In the first chart, if the Standards Department and the Production Department could not agree on production methods for a pilot run, the General Manager (to whom both are accountable) would resolve the conflict.

Does the chart show how much authority a position has?

It shows exactly what decisions a manager may authorize. The authority of a position consists of the actions the position can authorize. Supervisor A has more authority than Supervisor B because A can hire, fire, grant wage increases, determine the size of his crew and authorize overtime, while B can only recommend to his work leader.

Positional authority is always over the work process, not over people. If one position is given a "Z" for a certain decision point, and another has an "A," this does not mean the "Z" position is superior, has higher status, or has authority over the other position. The "Z" means the position is the logical point to propose, coordinate opinions, initiate action and to be held accountable for the results of the action.

Why aren't some positions called "staff" and some called "line"?

The staff-line distinction was never based upon what managers do, but upon what they were really supposed to do. The concept was too simple to fit reality. In reality, each department may authorize some activities, approve or veto others and provide consultation on others. The relation between two departments depends on the decision being made.

The staff-line distinction is not used in charting the decision making structure because it is not helpful. The question is not, "Which department is staff and which is lines?" but rather, "What kind of influence and participation does each department have on each of the specific decisions?"

How does a position guide relate to the decision making structure?

Involvement in decision making—whether with a "Z" and "A"

or a "C"—would be listed as part of the responsibilities of the position. Some samples of the way decisions might be listed in a position guide would be to:

Decide on the best production methods during pilot phase (subject to approval of the production departments)

Provide consultation on the value factors associated with changes in production methods for parts in production phase

Authorize the purchase of capital equipment (up to $5,000) needed to make possible the most efficient service by the standards department

Provide consultation to enable production departments to purchase the most effective equipment for their needs

Obviously, the guide for an individual position will include much more than the decisions that fall within its scope. Any department manager must carry out many responsibilities according to decisions made elsewhere in the organization. These would show on a position guide, but not on a decision making chart for the department itself.

Does a chart of the decision making structure really solve the problems of overlapping authority or gaps in authority?

The chart solves nothing. The discussion needed to construct the chart points up and helps to resolve problems. The chart is merely the report of the agreements made. The test is what the people who agreed on the structure subsequently do.

Will consulting with others be quite costly and time-consuming?

That depends upon how effectively the people use each other as consultants.

The purpose of listing the agreements to consult is to show people how they participate in the decision making structure.

Obviously, a "C" position will not wish to be consulted to the same degree in every decision. The "Z" position is expected to judge when a phone call will suffice and when a fuller presentation with designs, facts and objectives is essential.

As the code definitions point out, unless consultation occurs early in the formulation of a problem and the search for a decision, the "C" and "A" positions are not really being allowed to participate. If consultation does occur early, less total time probably will be required.

In most problem situations, people spend more time trying to resolve problems after decisions have been made than would have been necessary if they had solicited wider participation earlier and throughout the process. The resulting decision will be sounder and, hence, more justifiable; it will also be better accepted. The end result is increased stability and, probably, a saving of time overall.